

AMENDED IN SENATE APRIL 9, 2007

**SENATE BILL**

**No. 820**

---

---

**Introduced by Senator Ashburn**

February 23, 2007

---

---

~~An act relating to taxation~~ *to add Sections 17052.9 and 23605 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

SB 820, as amended, Ashburn. Taxation: ~~health insurance and health care service plans; cafeteria plans; credits.~~

*The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.*

*This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2007, in an amount equal to 15% of the amount of administrative costs paid or incurred by a qualified taxpayer during the taxable year in connection with establishing a qualified cafeteria plan that provides health benefits, as defined.*

*This bill would take effect immediately as a tax levy.*

~~The Personal Income Tax Law and the Corporation Tax Law allow various deductions in computing the income that is subject to the taxes imposed by those laws. Those laws also provide various credits against the taxes imposed thereunder.~~

~~This bill would state the intent of the Legislature to enact the necessary statutory changes to equalize the tax benefits between persons whose employer provides coverage under health insurance or a health care service plan and persons who purchase this coverage themselves.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 17052.9 is added to the Revenue and*  
2     *Taxation Code, to read:*

3     17052.9. (a) *For each taxable year beginning on or after*  
4     *January 1, 2007, there shall be allowed as a credit against the*  
5     *“net tax” (as defined by Section 17039) an amount equal to 15*  
6     *percent of the amount of administrative costs incurred by a*  
7     *qualified taxpayer in connection with establishing a cafeteria plan*  
8     *that provides health benefits to the taxpayer’s employees.*

9     (b) *For purposes of this section, both of the following definitions*  
10    *apply:*

11    (1) *“Cafeteria plan” means a qualified cafeteria plan as defined*  
12    *in Section 125 of the Internal Revenue Code.*

13    (2) *“Qualified taxpayer” means an employer.*

14    (c) *In the case where the credit allowed by this section exceeds*  
15    *the “net tax,” the excess may be carried over to reduce the “net*  
16    *tax” for the succeeding seven years.*

17    (d) *No deduction shall be allowed, as otherwise provided in this*  
18    *part, for that portion of any costs paid or incurred for the taxable*  
19    *year for which a credit is allowed under this section.*

20    (e) *No credit may be claimed under this section with respect to*  
21    *any amount for which any other credit has been claimed under*  
22    *this part.*

23    SEC. 2. *Section 23605 is added to the Revenue and Taxation*  
24    *Code, to read:*

25    23605. (a) *For each taxable year beginning on or after*  
26    *January 1, 2007, there shall be allowed as a credit against the*  
27    *“tax” (as defined by Section 23036) an amount equal to 15 percent*  
28    *of the amount of administrative costs incurred by a qualified*  
29    *taxpayer in connection with establishing a cafeteria plan that*  
30    *provides health benefits to the taxpayer’s employees.*

31    (b) *For purposes of this section, both of the following definitions*  
32    *apply:*

33    (1) *“Cafeteria plan” means a qualified cafeteria plan as defined*  
34    *in Section 125 of the Internal Revenue Code.*

35    (2) *“Qualified taxpayer” means an employer.*

36    (c) *In the case where the credit allowed by this section exceeds*  
37    *the “net tax,” the excess may be carried over to reduce the “tax”*  
38    *for the succeeding seven years.*

1     (d) No deduction shall be allowed, as otherwise provided in this  
2 part, for that portion of any costs paid or incurred for the taxable  
3 year for which a credit is allowed under this section.

4     (e) No credit may be claimed under this section with respect to  
5 any amount for which any other credit has been claimed under  
6 this part.

7     SEC. 3. This act provides for a tax levy within the meaning of  
8 Article IV of the Constitution and shall go into immediate effect.

9     ~~SECTION 1. It is the intent of the Legislature to enact the~~  
10 ~~necessary statutory changes to equalize the tax benefits between~~  
11 ~~persons whose employer provides coverage under health insurance~~  
12 ~~or a health care service plan and persons who purchase this~~  
13 ~~coverage themselves.~~